

December 31, 2008

Bureau of Near Eastern Affairs
US Department of State

Unclassified

TABLE OF CONTENTS

HIGHLIGHTS	3
POLITICAL	
Governance & Legislation	4
SECURITY	
Situation Update	8
Security Transition	9
ECONOMIC	
 Economic & Government Capacity Update 	12
• Oil	15
Essential Services	17
Economic Indicators	23
DIPLOMATIC	
Political Engagement	25
•Coalition Contributors	27
Contact Information, Notes and Source Citations	28

TIPS OF

HIGHLIGHTS

- Parliamentary Speaker Mashhadani Resigns (POLITICAL, page 4).
- Daily Attack Averages Drop 95% in the Past Year (SECURITY, page 8).
- Second Round of Oil and Gas Contract Bidding Scheduled to Open December 31 (**ECONOMIC**, page 15).
- British Prime Minister Gordon Brown Visits Baghdad December 17 (DIPLOMATIC, page 25).

POLITICAL - Governance & Legislation



Parliamentary Speaker Mashhadani Resigns:

 Council of Representatives Speaker Mahmoud al-Mashhadani announced his resignation December 23. Mashhadani will be temporarily replaced by one of his deputies. A permanent replacement has not yet been selected. Parliament is in recess until January 9.

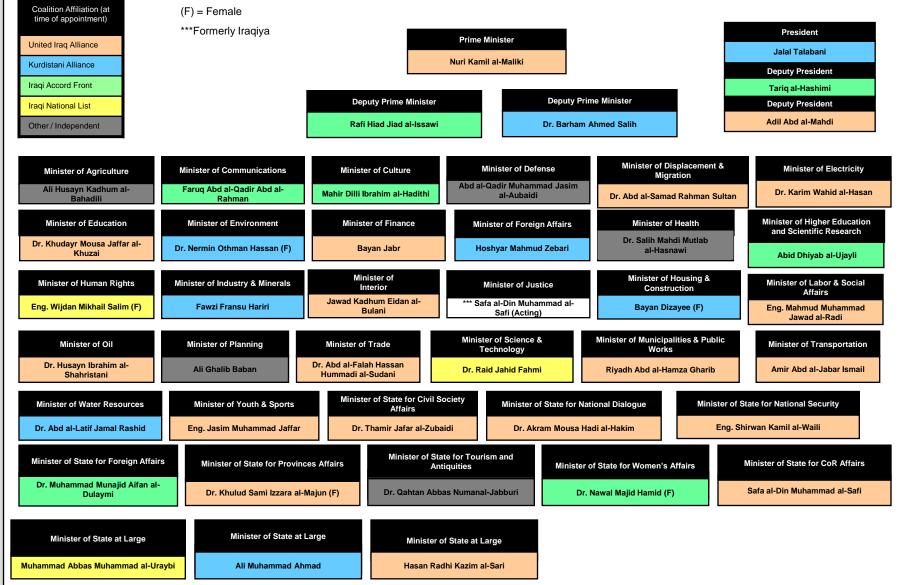
Split in Sunni Bloc:

 Ten of the 44 members of Tawafuq, the largest Sunni bloc in the Council of Representatives, left the coalition December 24. Members of the National Dialogue Council, including former Speaker Mashhadani, were among the defectors.

Iraqi Journalist Who Threw Shoes at Bush Appeals Trial:

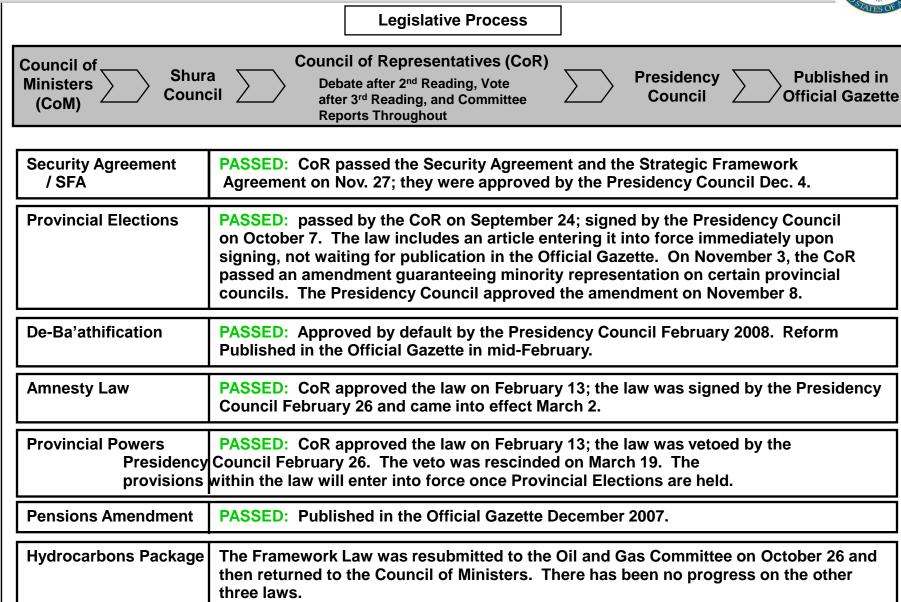
Iraq's Central Criminal Court has postponed the trial of Muntadar al-Zaidi, the Iraqi
journalist who threw his shoes at President Bush. Dhiya al-Saadi, Zaidi's
lawyer, has appealed the charges on the grounds that his client's actions fell "within
the framework of freedom of expression." Zaidi was originally scheduled to stand
trial December 31 for "aggression against a foreign head of state."

POLITICAL - Government of Iraq



POLITICAL – Key Legislation





POLITICAL - Refugee Update



- Refugees in the region: 2-2.4 million
- Internally displaced persons in Iraq: 2.7 million
- The U.S. admitted 13,823 Iraqi refugees in FY08 (which ended September 30).
- The U.S. seeks to admit a minimum of 17,000 Iraqi refugees in FY09.
- In FY 2008, a total of 1,142 Special Immigrant Visa (SIVs) were issued for Afghan and Iraqi translators and interpreters (under the Section 1059 program).
- In FY 2008, a total of 705 SIVs were issued (under the Section 1244 program).

SECURITY - Situation Update



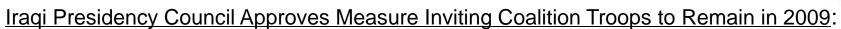
Attacks Drop 95% in the Past Year:

• In a news conference December 21, Multi-National Force-Iraq spokesman Brigadier General (BG) David Perkins said the daily attack average in Iraq has fallen nearly 95% since 2007. During the third week of December 2008 the number of daily attacks was ten per day, while the same week in 2007 saw an average of 180 attacks per day. "This is a dramatic improvement of safety throughout the country," BG Perkins told reporters. BG Perkins also added that Iraq's murder rates have dropped below levels that existed before the start of Operation Iraqi Freedom. In November 2008, the ratio was 0.9 murders per 100,000 people.

Car Bomb Kills 22 in Kadimiyah Neighborhood of Baghdad:

 A car exploded along a busy street in northwestern Baghdad December 27, killing 22 and wounding more than 50 people. The attack in the Kadimiyah neighborhood, which has seen little violence the past few months, was one of Baghdad's deadliest bombings in weeks.

SECURITY – Security Transition



Iraq's Presidency Council ratified a measure December 28 inviting troops from the UK, Australia, El Salvador, Romania, Estonia and the NATO Training Mission – Iraq participants to remain in Iraq after December 31, 2008. Iraq's parliament had approved the measure December 23. The same day, El Salvador, however, announced its intention to end its military presence in Iraq. Subsequently, the UK and Australia finalized memoranda of understanding with Iraq for their continuing missions; while Romania, Estonia and NATO are continuing to work with the Government of Iraq (GOI) to finalize their arrangements.

GOI Assumes Greater Responsibility of SOI January 1:

• Starting January 1, 2009, the GOI will take control of the Sons of Iraq (SOI) program in four provinces: Diyala, Babil, Wasit, and Qadisiyah, marking an important step toward national reconciliation. On New Year's Day, 76% of Iraq's SOI members will be under GOI responsibility. Diyala's transfer is significant because of the province's ethnically diverse population and its recent history of sectarian tension. Iraqi Army Major General Muzhir al-Mawla, the Vice Chairman for the Iraqi Follow-Up Committee for National Reconciliation, called Diyala province a "small Iraq." Deputy Commanding General of Multi-National Corps-Iraq Major General Michael Ferriter cited the efforts to incorporate the SOI into the government as "the leading edge of reconciliation."

SECURITY – Security Transition



<u>Iraq to Assume Control of Basrah Airport January 1:</u>

 Iraqi Security Forces (ISF) are scheduled to assume security responsibility for Basrah International Airport from U.K. forces January 1, 2009. Following the transition of responsibility, commercial service at the airport, which is presently utilized by the domestic Iraqi Airways service, will increase. Iraq's Ministry of Transportation intends to attract regional airlines and charter flights serving the pilgrim market to Saudi Arabia.

<u>Iraqi Army Crewmen Receive M1A1 Training</u>:

• A group of 28 Iraqi Army (IA) tank crewmen, selected from the IA 9th Mechanized Infantry Division and current IA Armor School instructors, took part in an M1A1 tank orientation held at the Iraqi Army Armor School on December 21. Some of the course participants will go on to a three month train-the-trainer course at the Combat Training Center with US Army instructors, allowing them to then serve as instructors for IA tank crews, teaching basic M1A1 skills prior to the arrival of their M1A1 tanks. The GOI recently purchased 140 advanced M1A1 Abrams Integrated Management Situational Awareness tanks which are scheduled to begin delivery in 2010.

SECURITY - Iraqi Security Forces

Iraq Security Forces as of Oct. 31, 2008 a							
Component	Current Authorized Assigned Personnel b c		Total Trained Personnel to date d				
Ministry of Interior (Mol) Forces ^e							
Iraqi Police Service f	334,739	300,156	209,100				
National Police g	46,580	41,044	52,513				
Border Enforcement	45,550	40,328	36,673				
Total Mol	426,869	381,528	298,286				
Ministry of Defense (MoD) Forces h							
Army	174,280	196,236	235,606				
Army Training and Support Forces i	15,583	23,452	22,930				
Air Force	3,690	2,006	2,843				
Navy	3,596	1,898	1,494				
Total MoD	197,149	223,592	262,873				
Counter Terrorism Bureau							
Special Operations j	4,733	4,160	4,564				
Total Iraqi Security Forces	628,751	609,280	565,723				

- a. Numbers do not include ministry staffs.
- b. Numbers reflect Government of Iraq (GOI) authorizations.
- c. Numbers are based upon GOI payroll data and do not reflect present for duty totals.
- d. Numbers reflect total Iraqi Security Forces (ISF) personnel trained to date, some of which are no longer assigned due to casualties, AWOL, and normal separation.
- e. Mol strength excludes other services within Ministry Of Interior (MOI), including the MOI HQ, MOI Forensics, Facility Protection Services, and contracted guards.
- f. The Iraqi Police Service consists of all provincial police forces (station, patrol, traffic, and special units) assigned to all 18 Iraqi provinces.
- g. Includes the national Emergency Response Unit.
- h. The Ministry Of Defense (MOD) authorized numbers are derived from Modified Tables of Organization and Equipment (MTOEs).
- i. The MoD Army Training and Support Forces include logistics units and training center cadre.
- j. Does not include personnel assigned to Counterterrorism Bureau (CTB) or Counterterrorism Command (CTC) headquarters.

ECONOMIC – Economic & Government Capacity Update



Iraq's Core Inflation Drops in November:

Core inflation in Iraq dropped to an annual rate of 12.7% in November from 13.6% the previous month, the Central Bank of Iraq announced December 22. Year-overyear (yoy) overall inflation declined to 6.7 % in November 2008 – less than half the overall inflation rate of 15.5% registered during the 12 months ending in November 2007 – and only a small fraction of the 51.7% yoy inflation rate prevailing through November 2006. For the 12 months ending November 2008, fuel prices declined by 11.1% compared to an increase of 15.1% yoy in November 2007. Rental price increases slowed to 8.9% in November 2008 from 23.7% in November 2007. However, food prices increased by 21.4% during the 12 months ending in November 2008, compared to a smaller increase of only 4.6% yoy in November 2007. A number of factors may explain higher food prices, including increased demand for certain foods during Ramadan and the Hajj and possible anomalies in the provision of physical food baskets under the Public Distribution System program.

ECONOMIC – Economic & Government Capacity Update



Central Bank of Iraq Will Cut Interest Rates by 1% January 4:

• The Central Bank of Iraq will cut its main policy rate by one full percentage point to 14% on January 4, 2009. The previous rate cut was from 16% to 15% on November 2, 2008. The interest rate cuts aim to take advantage of improvements in the security situation by encouraging greater bank lending and private sector growth. Inflation remains a concern, however, and the CBI will continue to work for price stability through its policy of gradually appreciating the value of the Iraqi dinar.

Paris Club Announces Cancellation of 20% of Iraq's Debt:

• The Paris Club announced December 22 that 20% of Iraq's Saddam-era debt owed to Paris Club members was cancelled. This, the third tranche of the agreement reached in 2004, reduces the total debt due to the Paris Club creditors from about \$50 billion to \$7.8 billion. "Paris Club creditors have decided to deliver the remaining 20% debt cancellation foreseen in the November 2004 agreement," the Paris Club said in a statement. The latest debt reduction action follows from a decision by the IMF Board of Governors to accept the progress that Iraq is making on its commitments to economic restructuring and reform.

ECONOMIC – Economic & Government Capacity Update



United Nations Security Council Passes Resolution Protecting Iraq's Assets:

 The United Nations Security Council passed a resolution shielding Iraq's assets from legal attachments associated with the billions of dollars in financial claims made against the country during the Saddam Hussein era. UNSCR 1859 protects Iraq's oil revenues and financial assets while the country works to resolve outstanding claims.

ECONOMIC - Oil



Crude Oil Update:

Price averages in world markets closed with the following prices:

Basrah Light at \$31.01/barrel

Dated Brent at \$36.59/barrel

WTI Cushing at \$32.41/barrel

Oman/Dubai at \$39.11/barrel

Revenue estimates:

2006: \$31.3 Billion

2007: \$41.0 Billion

2008: \$60.9 Billion (ytd)

Second Round of Oil and Gas Contract Bidding Scheduled to Open December 31:

• The Iraqi Ministry of Oil opened its second round of bidding for 11 oil and gas fields, including the Majnoon and West Qurna Phase II fields, both of which are classified as super giants, on December 31. Minister of Oil Hussein al-Shahristani also identified the other nine fields put up for tendering, which include Halfaya, East Baghdad, Gharrafa, Qayara, Najmah, Badrah, Kifil/West Kifil/Mirjan and a group in Diyala province, as well as the Siba gas field in Basrah. According to Shahristani, the 11 fields could increase Iraq's oil production by 2.5 million barrels per day within three to four years after the completion of the contracting phase at the end of 2009. Three of the fields are jointly owned by Iran and Kuwait and will require bilateral deals with the two countries to develop the fields, though neither country has voiced opposition.

ECONOMIC – Oil



<u>Iraq to Resume Selling Oil to SK Energy</u>:

• After a one-year suspension, Iraq will resume selling oil to South Korea's largest refiner SK Energy Company. The Iraqi government decided to suspend oil exports to SK Energy earlier this year due to a production sharing agreement the company made the KRG to export from disputed fields in northeastern Iraq. Under the terms of a new contact, the Iraqi State Oil Marketing Organization will sell SK Energy 65,000 barrels a day of oil beginning this January. According to the Seoul Economic Daily, the Iraqi government and the KRG have made progress in agreeing to an energy law that will resolve how income from oil fields will be divided.

ECONOMIC – Essential Services



Prime Minister Appeals to Professionals to Return to Iraq:

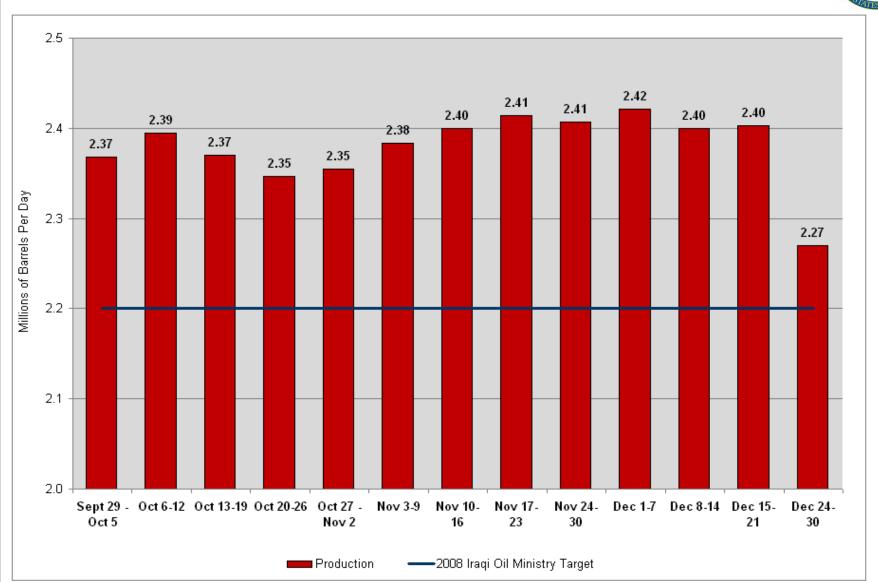
 Prime Minister Nuri al-Maliki appealed to exiled professionals to come back to Iraq at a two-day conference designed to bring skilled Iraqis back to Iraq. Citing the downturn in violence, Maliki asked for the assistance of Iraq's doctors, professors, scientists and others living outside the country to help rebuild the country. The prime minister's appeals were met with hesitation although some professionals agreed that high salaries could draw professionals back.

<u>Iraq Places \$3 Billion Order with GE for Gas-Powered Turbines</u>:

• General Electric announced December 16 that the Government of Iraq placed a \$3 billion order for gas-powered turbines capable of producing 7,000 megawatts of electricity. The 56 turbines would be installed in ten locations throughout Iraq; a previous order for eight turbines was placed in May. German company Siemens will also supply 16 gas-powered turbines. The order, which will be shipped in 2009 and 2010, is the largest GE has ever received.

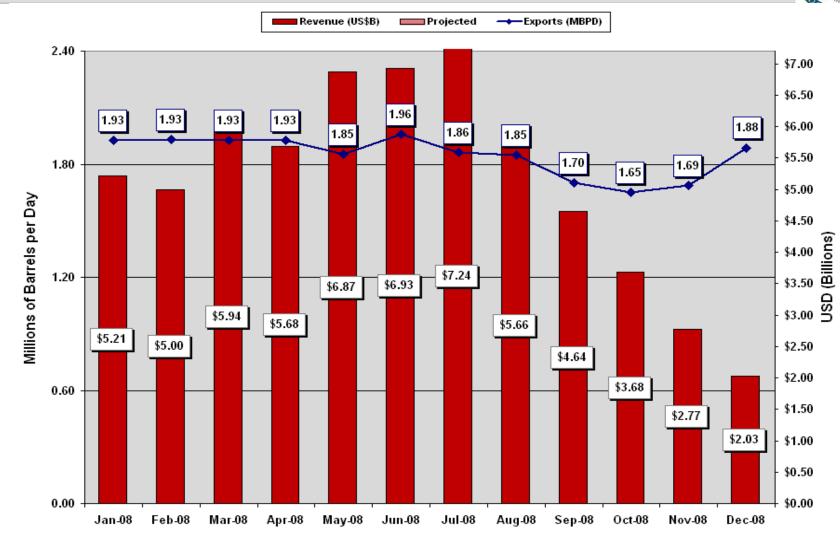
ECONOMIC – Crude Oil Production





ECONOMIC – Crude Oil Export





2006 Revenue Estimate:

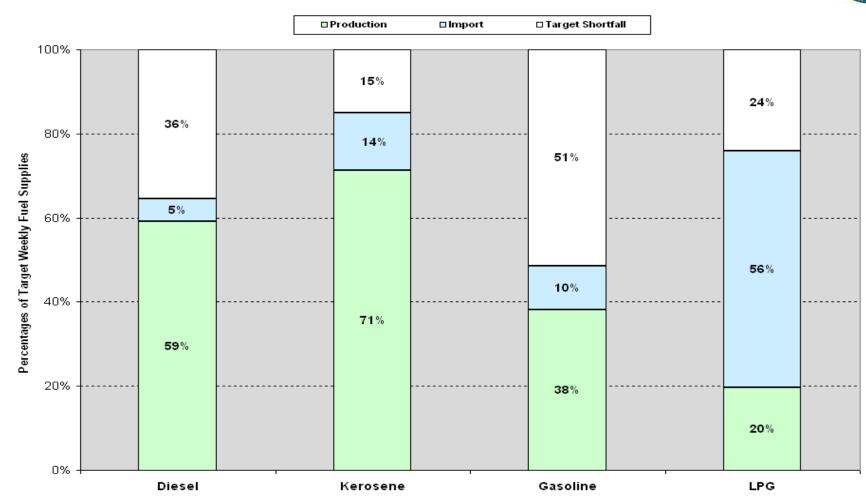
- \$31.3 Billion
- 2008 Revenue Estimate: \$60.9 Billion (ytd)

2007 Revenue Estimate:

\$41.0 Billion **19**

ECONOMIC – Total Critical Refined Product Supplies





Note: This is a daily average for December 24-30

20

Diesel: 15.8 ML supply of 24.5 ML target

• Gasoline: 10.2 ML supply of 26.8 ML target

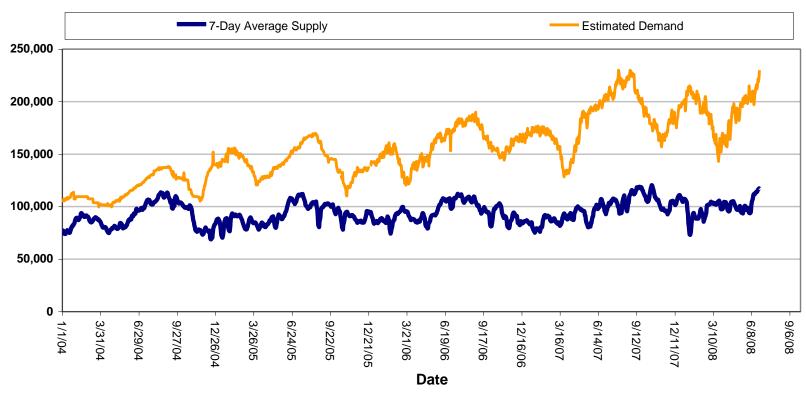
• Kerosene: 12.4 ML supply of 14.6 ML target

• LPG: 3,780 tons supply of 5,100 tons target UNCLASSIFIED

ECONOMIC – Electricity



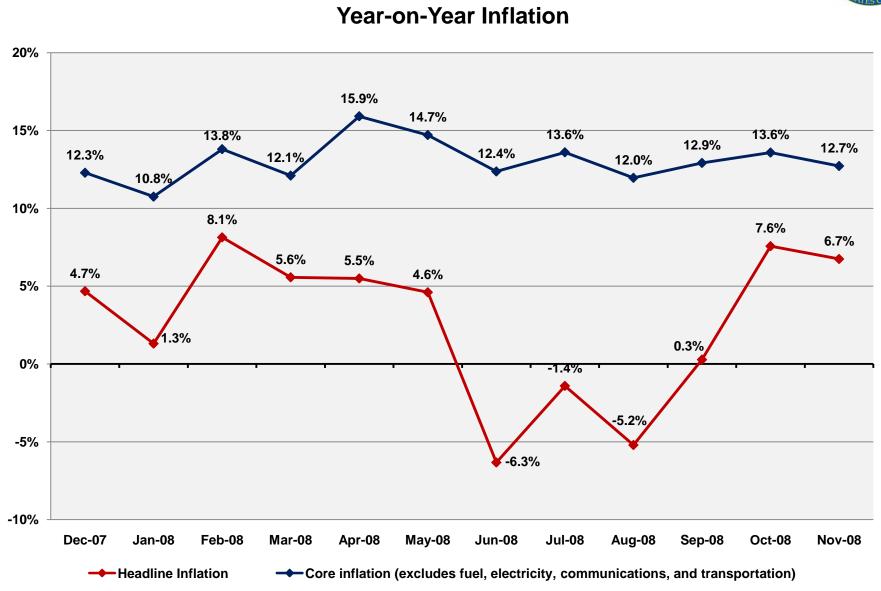
Daily Electricity Supplied and Estimated Demand in Iraq Since January 2004



- Daily electricity demand December24-30 was 7% above the same period last year. Daily supply from the grid was 22% above the year-earlier period and met 63% of demand, compared with 54% for the year-earlier period.
- Hours of power data are not available for this week.

ECONOMIC – Economic Indicators





ECONOMIC – Economic Indicators

Economic Indicator	This Week	Last Week	Last Month	Last Year			
Iraqi Commercial Bond Sales							
Price (USD)	\$42.25	\$40.97	\$49.22	\$62.82			
Yield	15.10% 15.52%		13.11%	10.16%			
Central Bank's USD Currency Auction							
USD Sold	***	***	\$87,039	\$66,957,492			
NID Exchange Rate	***	***	\$1,180	\$1,254			
Total Employed by USG Programs							
	100,185	100,185	122,788	N/A			

ECONOMIC - Iraq Relief and Reconstruction Fund (IRRF) 1 and 2

Sector\Status			Committed		Obligated			Disbursed			
(Millions of USD)	Allocated	Un- allocated	Last Week	Current	Change	Last Week	Current	Change	Last Week	Current	Change
Security and Law	\$4,960	\$17	\$4,937	\$7,298	\$2,361	\$4,937	\$5,924	\$987	\$4,871	\$1,157	-\$3,713
Justice and Civil Society	\$2,299	\$20	\$2,263	\$2,676	\$413	\$2,262	\$2,301	\$39	\$2,181	\$1,420	-\$761
Electricity Sector	\$4,178	\$36	\$4,066	\$4,134	\$69	\$4,065	\$1,326	-\$2,739	\$3,940	\$1,041	-\$2,899
Oil Infrastructure	\$1,717	\$7	\$1,608	\$2,124	\$515	\$1,608	\$1,352	-\$256	\$1,581	\$344	-\$1,237
Water and Sanitation	\$2,054	\$21	\$1,983	\$2,035	\$52	\$1,980	\$858	-\$1,122	\$1,849	\$535	-\$1,315
Transportation and Comm\	\$462	\$2	\$459	\$631	\$172	\$459	\$496	\$38	\$421	\$133	-\$288
Roads, Bridges and Const\	\$320	\$8	\$282	\$245	-\$37	\$282	\$45	-\$237	\$258	\$76	-\$182
Health Care	\$810	\$9	\$793	\$936	\$143	\$793	\$547	-\$245	\$744	\$232	-\$512
Private Sector Development	\$838	\$1	\$820	\$865	\$45	\$820	\$864	\$44	\$814	\$795	-\$20
Edu Refugees, Human Rights	\$470	\$0	\$436	\$515	\$79	\$435	\$511	\$75	\$409	\$392	-\$16
Admin Expense (USAID,DoS)	\$220	\$0	\$218	\$219	\$1	\$218	\$219	\$1	\$208	\$210	\$2
Rescission	\$0	-\$50	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total IRRF II	\$18,328	\$71	\$17,864	\$21,678	\$3,814	\$17,859	\$14,444	-\$3,415	\$17,278	\$6,336	-\$10,941
IRRF II Non-Construction	-	-	\$7,972	\$9,395	\$1,422	\$7,970	\$9,272	\$1,302	\$7,773	\$5,145	-\$2,627
IRRF II Construction	-	-	\$9,373	\$7,786	-\$1,587	\$9,369	\$4,652	-\$4,717	\$8,988	\$674	-\$8,314
IRRF II Overhead	-	-	\$520	\$4,498	\$3,978	\$520	\$520	\$0	\$517	\$517	\$0
Total IRRF I	\$2,475	\$0	\$2,291	\$2,291	\$0	\$2,232	\$2,232	\$0	\$2,139	\$2,139	\$ 0
Grand Total IRRF I & II	\$20,803	\$71	\$20,155	\$23,969	\$3,814	\$20,092	\$16,677	-\$3,415	\$19,417	\$8,475	-\$10,941

Data as of 30 December, 2008

Apportion amounts reflect those of the latest Executive Office of the President Report, published by the Office of Management and Budget. Committed, obligated and disbursed amounts reflect last numbers reported by each agency.

DIPLOMATIC – Political Engagement



British PM Brown Visits Baghdad:

 British Prime Minister Gordon Brown made an unannounced visit to Baghdad December 17 where he met with Iraqi Prime Minister Nuri al-Maliki. This was the fourth visit by PM Brown to Iraq.

<u>Foreign Minister Zebari Meets with Counterpart from UAE</u>:

 Foreign Minister Hoshyar Zebari met with the Foreign Minister of the UAE Sheikh Abdullah bin Zayied al Nhayan during a meeting at the United Nations Headquarters in New York on December 18. FM Zebari thanked the UAE for forgiving Iraq's Saddam era debt and expressed his desire to see other Arab states follow suit. The two leaders also discussed the extensive progress that has been made in strengthening bilateral ties.

PM Maliki Visits Turkey:

 Prime Minister Maliki met with Turkish President Abdullah Gul and Turkish Premier Recep Tayyip Erdogan during his December 24 visit to Turkey. During the meeting, Maliki and Erdogan reportedly agreed to meet regularly to discuss efforts to fight the PKK terrorist organization.

DIPLOMATIC – Political Engagement



Maliki Postpones Iran Visit:

 Iraqi officials announced December 25 that Prime Minister Maliki had postponed his visit to Iran due to the failure of Iraqi and Iranian officials to agree on specific dates for the trip. The official visit was scheduled to follow Maliki's December 24 visit to Turkey.

DIPLOMATIC – Coalition Contributors



As of December 31, 2008 the UN-mandated coalition will cease to exist. The GOI has invited NATO and the following countries to remain in Iraq:

United Kingdom

Australia

Estonia

Romania

El Salvador*

^{*} On December 23 President Antonio Saca announced El Salvador would not maintain troops in Iraq in 2009.

CONTACT INFORMATION

• This brief draws from multiple sources. References are cited on the following pages.

Please forward all questions and/or comments to:

NEA-I-IPOG-DL@state.gov

NOTES AND SOURCE CITATIONS (1 of 2)



Slide 4:

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- BBC, December 22, http://news.bbc.co.uk/2/hi/middle_east/7795428.stm; ABC, December 30, http://www.abc.net.au/news/stories/2008/12/30/2456890.htm

Slides 5-7:

Department of State, NEA/I Political Section, NEA-I-POL-DL@state.gov

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- Armed Forces Press Service, December 22, http://www.defenselink.mil/news/newsarticle.aspx?id=52432
- Washington Post, December 27, http://www.washingtonpost.com/wp-dyn/content/article/2008/12/27/AR2008122700323.html?hpid=sec-world

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- Reuters, December 29-30, http://uk.reuters.com/article/topNews/idUKTRE4BR1MV20081229; http://www.reuters.com/article/worldNews/idUSTRE4BJ0SM20081230
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Slide 11:

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Slide 12:

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Slide 13:

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- Reuters, December 23, http://www.reuters.com/article/featuredCrisis/idUSKAM239981
- Reuters, December 16, http://www.reuters.com/article/rbssIndustryMaterialsUtilitiesNews/idUSN1654658220081216
- Forbes, Thomson, December 14, http://www.forbes.com/afxnewslimited/feeds/afx/2008/12/14/afx5819094.html

NOTES AND SOURCE CITATIONS (2 of 2)



Slide 18-20:

Department of State, NEA/I Economic/Assistance Section, NEA-I-ECON-DL@state.gov

Slide 21:

- Department of State, NEA/I Economic/Assistance Section, NEA-I-ECON-DL@state.gov
- The chart shows average daily power production in megawatt hours (MWh). 120,000 MWh goal equates to 20 hours at 6000 MW average supplied load or 24 hours at 5000 MW average supply load.

Slide 22:

Department of State, NEA/I Economic/Assistance Section, NEA-I-ECON-DL@state.gov

Slide 23:

 Derived from Multiple Sources. (ITAO IMU Essential Indicators Report, Baghdad, 26 November 2008) (Bloomberg) (Central Bank of Iraq, Foreign Exchange Auction, CBiraq.org) (http://www.cbiraq.org/C.B.I.%20FOREIGN% 20EXCHANGE%20AUCTIONS.pdf)

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Slide 27

DOD Input to Weekly Status Report – December 31, 2008.